

Testimony of Mark A. Willis
Executive Vice President, JPMorgan Chase Bank, N.A.
Before the
House Government Reform Subcommittee on Federalism and the Census
July 25, 2005

Members of the Committee, good morning and thank you for the opportunity to speak to you today. My name is Mark Willis and I head the Community Development Group at JPMorgan Chase. I am here to talk about the important role that the Community Development Block Grant (CDBG) Program has played in allowing us to provide over \$3 billion in financing for affordable housing and community economic development in New York City over the last 10 years. In addition to our community development loans and investment, JPMorgan Chase has provided over \$5 billion in home mortgages and small businesses loans in New York City's low- and moderate-income neighborhoods in just the last five years alone.

Before talking in more detail about how this has all been made possible, I should note two other hats that I wear since my experiences in these organizations have also impressed upon me the importance of CDBG dollars as well as other Federal programs in helping rebuild America's cities. First is Living Cities: the National Community Development Initiative which I co-chair. Living Cities is a consortium of national foundations, financial institutions, and federal government agencies working together to increase the vitality of America's cities and quality of life in urban neighborhoods. Over the last 15 years, it has invested more than \$370 million in cities across the country, helping to leverage over \$11 billion of additional investment from commercial interests,

nonprofit organizations, and government at all levels—a leverage ratio of almost 30 to one. While the Living Cities program itself directly benefits from Section 4 Funds, the work done by the community-based organizations it supports in 23 cities across the country relies on investments by local governments using dollars such as those available under the CDBG program.

I am also co-chair of the Housing First! coalition here in New York City. Housing First! is a broad-based coalition of 300 nonprofit and for-profit developers, community-based organizations, religious institutions, civic groups, businesses, banks and labor unions, that support the creation of a long-term, 10-year, \$10 billion dollar housing program for New York City. Housing First! knows the critical importance of CDBG funds for housing programs in New York and has identified the serious impact that a cut in funding could have in limiting the City’s ability to address the continuing shortage of affordable housing.

My involvement in community development began 19 years ago when I was asked to join Mayor Koch’s team as it launched a 10-year housing program of \$5.1 billion of public funds. At the time, many people had written off large areas of the City and wondered if the only solution were to close those neighborhoods down—so-called “planned shrinkage.” Mayor Koch had another idea and charged his Department of Housing Preservation and Development to carry out his plan. Resources from a number of different sources—including from the CDBG program—were coordinated and the result is what you see today where every neighborhood in the City has not only stabilized but

has, in many cases, rebounded. As Deputy Commissioner for Development, I saw first-hand the importance of having flexible dollars to use to preserve housing and to invest in communities.

As a result of that investment by the public sector, banks like JPMorgan Chase have been able to fund a wide range of housing and community economic development projects. For banks, the lending and investing process begins with an assessment of risk. Banks are tasked with managing risk, taking neither highly uncertain nor unnecessary risk. Similarly, communities are not built upon foreclosures and bankruptcies so it makes no sense to lend to people, projects or businesses that cannot repay their debts. This brings us back to the important role the City of New York is playing in stabilizing neighborhoods. For neighborhoods to come back, they need to be able to attract significant amounts of private capital and nothing does that better than a track record showing that such investments make good business sense. And it is as a result of the City's investment in its neighborhoods that JPMorgan Chase has been able to lend nearly \$3 billion dollars for the construction of affordable housing and commercial development in what were once seen as declining, if not disappearing, neighborhoods and to invest a quarter of a billion dollars in the New York Equity Fund under the Low Income Housing Tax Credit program to create affordable housing in all five Boroughs.

The Community Development Group at JPMorgan Chase was set up to help strengthen historically underserved communities by partnering with community-based organizations, developers, and local governments. We have sought to expand access to

capital by creating a highly skilled team of loan and investment officers who can bring a full range of banking skills to our local communities. As a shorthand, I sometimes refer to us as the investment bankers to low- and moderate- income communities. We have been doing this work since the 1980's and have seen the results—communities have been reborn; more families live in decent housing; more people own their own homes; and small businesses are thriving.

Today, CDBG money continues to play an important role in the stabilization of New York City's neighborhoods, thereby allowing the redevelopment process to progress. CDBG helps to preserve buildings that might otherwise deteriorate and become a blight on their communities, pulling down the rest of the neighborhood with them. CDBG helps to clean up lots that have become illegal dumping grounds and improve the environment so others will want to stay and fix up their own properties. CDBG helps community groups on the front line in the battle to save and preserve their neighborhoods. CDBG helps the families in those neighborhoods improve their lives. Put this all together and CDBG helps to create an environment where public dollars leverage private ones to benefit not just that street and neighborhood, but to benefit the whole city and metropolitan area. As our inner cities recover, the competitiveness of the whole metropolitan area improves. Ultimately, this enhances the competitiveness of our country as a whole.

That is the message I want to leave you with: Healthy neighborhoods benefit all of us, and government plays a key role in turning around our inner cities. As you can see

clearly here in New York, government plays an important role in the vitality of all its neighborhoods and in ensuring affordable housing. Without federal programs like the Community Development Block Grant Program that help to stabilize communities, this work would not be possible. And without these types of investments by the public sector, private sector institutions like JPMorgan Chase would not be able to do what they do best: invest in the future of our communities—the people, the housing, and the businesses. Thank you.